

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**SB 1917 - HB 2026**

February 19, 2022

**SUMMARY OF BILL:** Grants employees of service providers, with whom the Department of Children's Services (DCS) contracts to provide care or services for children, eligibility to enroll in a basic health plan offered by the State Insurance Committee. Effective January 1, 2023.

**FISCAL IMPACT:**

**Increase State Expenditures – Exceeds \$20,464,500/FY22-23  
Exceeds \$43,384,700/FY23-24 and Subsequent Years**

**Other Fiscal Impact – Requiring the state health plan to cover non-governmental employees would subject the plan to federal ERISA regulation and expose the plan to federal judgements and attorney fee awards. Any additional costs to comply with federal regulations cannot be quantified at this time.**

**Assumptions:**

- Pursuant to Tenn. Code Ann. § 8-27-203, the various departments, agencies, boards, and commissions of state government are required to pay 80 percent of the cost of the coverage option for employees and employees' dependents on behalf of each participating covered individual within the respective departments, agencies, boards, and commissions under the basic health plan.
- The proposed legislation will increase the number of state employees eligible for state insurance and require an annual appropriation in the amount of 80 percent of the cost of basic health plan coverage option for DCS contracted employees and employees' dependents.
- The proposed language would include all employees of a contracted DCS vendor, regardless of whether the employee is providing DCS-contracted services.
- There are an estimated 7,025 employees of DCS contractors who would possibly qualify for coverage under this legislation.
- It is unknown how many of these employees are currently uninsured and would request enrollment. This analysis assumes at least 50 percent or 3,512 (7,025 x 50%), would be covered under the state plan.
- For the purpose of this analysis it is assumed that the employees of service providers will choose the same product and coverage tier mix as current state plan active employees.

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- The projected costs based on those trends and an estimated increase of six percent in premiums can be found in the table below.

Coverage Tier	% of State Plan Employees Enrolled	Total Employees Enrolled	CY 2022 Annual State Contribution Per Enrollee	Projected CY 2023 State Annual Contribution	Projected CY 2024 State Annual Contribution
Employee Only	42.16%	1,481	\$6,876	\$10,183,912	\$10,794,947
Employee + Child(ren)	13.62%	478	\$10,308	\$4,927,224	\$5,222,857
Employee + Spouse	17.98%	632	\$14,784	\$9,343,488	\$9,904,097
Employee + Spouse + Child(ren)	26.23%	922	\$17,868	\$16,474,296	\$17,462,754
Total Annual State Contribution				\$40,928,920	\$43,384,655

- Due to the January 1, 2023 effective date, the total increase in state expenditures in FY22-23 is estimated to be \$20,464,460 (\$40,928,920 x 50%)
- The total increase in state expenditures in FY23-24 is estimated to be \$43,384,655, with possible premium increases in subsequent years.
- Currently, the basic health plan offered by the State Insurance Committee is exempt from the regulations of the Employee Retirement Income Security Act of 1974 (ERISA).
- Extending coverage to this group of non-governmental employees could require modifications to the plan to comply with federal regulations, and would waive the basic health plan's current immunity from federal lawsuits regarding adverse claim determination and expose the plan to federal judgments and attorney fee awards.

## **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Krista Lee Carsner, Executive Director

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